



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
WEBSTER COUNTY
SHERIFF'S SETTLEMENT - 2000 TAXES**

August 6, 2001

**EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS
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EXECUTIVE SUMMARY
AUDIT EXAMINATION OF THE
WEBSTER COUNTY
SHERIFF'S SETTLEMENT - 2000 TAXES

August 6, 2001

The Auditor of Public Accounts has completed the audit of the Sheriff's Settlement - 2000 Taxes for Webster County Sheriff as of August 6, 2001. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

Financial Condition:

The Sheriff collected taxes of \$3,991,890 and distributed taxes of \$3,834,721 to the districts for 2000 Taxes. Taxes of \$67 are due to the county from the Sheriff and refunds of \$1,257 are due to the Sheriff from the taxing districts.

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EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor

T. Kevin Flanery, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable James Townsend, Webster County Judge/Executive

Honorable Kenneth Storey, Webster County Sheriff

Members of the Webster County Fiscal Court

Independent Auditor's Report

We have audited the Webster County Sheriff's Settlement - 2000 Taxes as of August 6, 2001. This tax settlement is the responsibility of the Webster County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the Webster County Sheriff's taxes charged, credited, and paid as of August 6, 2001, in conformity with the modified cash basis of accounting described in the preceding paragraph.

To the People of Kentucky

Honorable Paul E. Patton, Governor

T. Kevin Flanery, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable James Townsend, Webster County Judge/Executive

Honorable Kenneth Storey, Webster County Sheriff

Members of the Webster County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated May 21, 2002, on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett".

Edward B. Hatchett, Jr.

Auditor of Public Accounts

Audit fieldwork completed -
May 21, 2002

WEBSTER COUNTY
KENNETH STOREY, SHERIFF
SHERIFF'S SETTLEMENT - 2000 TAXES

August 6, 2001

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 478,787	\$ 401,516	\$ 1,162,362	\$ 395,113
Tangible Personal Property	109,791	99,961	270,430	264,407
Intangible Personal Property				18,826
Fire Protection	1,266			
Franchise Corporation	132,547	113,291	319,708	
Additional Billings	827	588	1,969	682
Ditch - 2000 Taxes		10,957		
Unmined Coal - 2000 Taxes	44,702	38,950	110,839	36,859
Oil and Gas Property Taxes	3,387	2,951	8,398	2,793
Bank Franchises	61,665			
Penalties	8,945	7,589	21,679	10,795
Adjusted to Sheriff's Receipt	(155)	1,330	(342)	(149)
Gross Chargeable to Sheriff	<u>\$ 841,762</u>	<u>\$ 677,133</u>	<u>\$ 1,895,043</u>	<u>\$ 729,326</u>
<u>Credits</u>				
Exonerations	\$ 3,903	\$ 3,412	\$ 9,541	\$ 2,406
Discounts	9,193	6,830	19,398	8,755
Delinquents:				
Real Estate	15,476	11,757	35,829	12,747
Tangible Personal Property	665	640	1,692	1,755
Intangible Personal Property				9
Ditch - 2000 Taxes		1,281		
Unmined Coal - 2000 Taxes	685	359	1,709	564
Uncollected Franchise Corporation Taxes	628	589	1,551	
Total Credits	<u>\$ 30,550</u>	<u>\$ 24,868</u>	<u>\$ 69,720</u>	<u>\$ 26,236</u>
Net Tax Yield	\$ 811,212	\$ 652,265	\$ 1,825,323	\$ 703,090
Less: Commissions *	<u>34,764</u>	<u>27,721</u>	<u>63,886</u>	<u>30,169</u>
Net Taxes Due	\$ 776,448	\$ 624,544	\$ 1,761,437	\$ 672,921
Taxes Paid	776,093	625,229	1,761,005	672,394
Refunds (Current and Prior Year)	<u>288</u>	<u>227</u>	<u>724</u>	<u>580</u>
Due District or (Refunds Due Sheriff)		**		
as of Completion of Fieldwork	<u>\$ 67</u>	<u>\$ (912)</u>	<u>\$ (292)</u>	<u>\$ (53)</u>

*And ** See page 4

WEBSTER COUNTY
KENNETH STOREY, SHERIFF
SHERIFF'S SETTLEMENT - 2000 TAXES
August 6, 2001
(Continued)

10% on	\$	10,000
4.25% on	\$	2,156,576
3.5% on	\$	1,825,323

** Special Taxing Districts:

Library District	\$	(105)
Health District		(47)
Extension District		(5)
Ambulance District		<u>(755)</u>
(Refunds Due Sheriff)	\$	<u><u>(912)</u></u>

The accompanying notes are an integral part of the financial statement.

WEBSTER COUNTY
NOTES TO FINANCIAL STATEMENT

August 6, 2001

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The Sheriff entered into a written agreement with the depository institution and met requirements (a), (b), and (c) stated above. However, as of December 15, 2000, the collateral and FDIC insurance together did not equal or exceed the amount on deposit, leaving \$4,885 of public funds uninsured and unsecured.

WEBSTER COUNTY
NOTES TO FINANCIAL STATEMENT
August 6, 2001
(Continued)

Note 2. Deposits (Continued)

The county official's deposits are categorized below to give an indication of the level of risk assumed by the county official as of December 15, 2000.

	<u>Bank Balance</u>
Collateralized with securities held by pledging depository institution in the county official's name	\$ 2,000,000
FDIC Insured	100,000
Uncollateralized and uninsured	<u>4,885</u>
Total	<u>\$ 2,104,885</u>

Note 3. Tax Collection Period

A. Property Taxes

The real and personal property tax assessments were levied as of January 1, 2000. Property taxes were billed to finance governmental services for the year ended June 30, 2001. Liens are effective when the tax bills become delinquent. The collection period for these assessments was October 13, 2000 through May 7, 2001.

B. Unmined Coal Taxes

The tangible property tax assessments were levied as of January 1, 2000. Property taxes are billed to finance governmental services. Liens are effective when the tax bills become delinquent. The collection period for these assessments was November 21, 2000 through June 22, 2001.

C. Ditch Taxes

The tangible property tax assessments were levied as of January 1, 2000. Property taxes are billed to finance governmental services. Liens are effective when the tax bills become delinquent. The collection period for these assessments was October 13, 2000 through May 7, 2001.

Note 4. Interest Income

The Webster County Sheriff earned \$4,044 as interest income on 2000 taxes. The Sheriff distributed the appropriate amount to the school district as required by statute, and the remainder will be used to operate the Sheriff's office.

Note 5. Sheriff's 10% Add-On Fee

The Webster County Sheriff collected \$26,323 of 10% add-on fees allowed by KRS 134.430(3). This amount will be used to operate the Sheriff's office.

WEBSTER COUNTY
NOTES TO FINANCIAL STATEMENT
August 6, 2001
(Continued)

Note 6. Advertising Costs And Fees

The Webster County Sheriff collected \$4,260 of advertising costs and \$2,115 of advertising fees allowed by KRS 424.330(1) and KRS 134.440(2). The Sheriff distributed the advertising costs to the county as required by statute, and the advertising fees will be used to operate the Sheriff's office.

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REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

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**Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards**

We have audited the Webster County Sheriff's Settlement - 2000 Taxes as of August 6, 2001, and have issued our report thereon dated May 21, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Webster County Sheriff's Settlement - 2000 Taxes as of August 6, 2001 is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Webster County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
May 21, 2002

